



Billing Code 6531-01

COMMODITY FUTURES TRADING COMMISSION

17 CFR Parts 1, 3, 22, 30 and 140

RIN 3038-AD88

Extension of Comment Period for the Rulemaking Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations

AGENCY: Commodity Futures Trading Commission.

ACTION: Extension of comment period.

SUMMARY: On November 14, 2012, the Commodity Futures Trading Commission (“Commission”) published in the Federal Register a notice of proposed rulemaking (the “Customer Protection Proposal”)¹ to adopt new regulations and amend existing regulations to require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures, and auditing and examination programs for futures commission merchants (“FCMs”). The Customer Protection Proposal also addressed certain related issues concerning derivatives clearing organizations (“DCOs”) and chief compliance officers (“CCOs”). In order to provide interested parties with an additional opportunity to comment on the Customer Protection Proposal, the Commission is extending the comment period for the Customer Protection Proposal.

DATES: The comment period for the Customer Protection Proposal is extended until February 15, 2013.

¹ See Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations, 77 FR 67866 (Nov. 14, 2012).

ADDRESSES: You may submit comments, identified by RIN 3038-AD88, by any of the following methods:

- Agency Web site, via its Comments Online process at <http://comments.cftc.gov>. Follow the instructions for submitting comments through the Web site, and submit all comments through the “submit comment” link associated with this extension.
- Mail: Send to Natise Stowe, Office of the Secretariat, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, DC 20581.
- Hand Delivery/Courier: Same as mail above.

Please submit your comments using only one method.

All comments must be submitted in English, or if not, accompanied by an English translation. Comments will be posted as received to <http://www.cftc.gov>. You should submit only information that you wish to make available publicly. If you wish the Commission to consider information that may be exempt from disclosure under the Freedom of Information Act, a petition for confidential treatment of the exempt information may be submitted according to the procedures established in § 145.9 of the Commission’s regulations, 17 CFR 145.9.²

The Commission reserves the right, but shall have no obligation, to review, pre-screen, filter, redact, refuse or remove any or all of your submission from <http://www.cftc.gov> that it may deem to be inappropriate for publication, such as obscene language. All submissions that have been redacted or removed that contain comments on the merits of the rulemaking will be retained in the public comment file and will be considered as required under the Administrative Procedure Act and other applicable laws, and may be accessible under the Freedom of Information Act.

² Commission regulations referred to herein are found at 17 CFR Ch. 1 (2012). Commission regulations are accessible on the Commission’s web site, www.cftc.gov.

FOR FURTHER INFORMATION CONTACT: Division of Swap Dealer and Intermediary Oversight: Gary Barnett, Director, 202-418-5977, gbarnett@cftc.gov; Thomas Smith, Deputy Director, 202-418-5495, tsmith@cftc.gov; Ward P. Griffin, Associate Chief Counsel, 202-418-5425, wgriffin@cftc.gov, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, DC 20581; 202-418-5648; or Kevin Piccoli, Deputy Director, 646-746-9834, kpiccoli@cftc.gov, 140 Broadway, 19th Floor, New York, NY, 10005. Division of Clearing and Risk: Robert B. Wasserman, Chief Counsel, 202-418-5092, rwasserman@cftc.gov, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, DC 20581. Office of the Chief Economist: Camden Nunery, Economist, cnunery@cftc.gov, 202-418-5723, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, DC 20581.

SUPPLEMENTARY INFORMATION:

I. Background

The protection of customers—and the safeguarding of money, securities or other property deposited by customers with an FCM—is a fundamental component of the Commission’s disclosure and financial responsibility framework. Section 4d(a)(2)³ of the Commodity Exchange Act (“Act”)⁴ requires each FCM to segregate from its own assets all money, securities and other property deposited by futures customers to margin, secure, or guarantee futures contracts and options on futures contracts traded on designated contract markets. Section 4d(a)(2) further requires an FCM to treat and deal with futures customer funds as belonging to the futures customer, and prohibits an FCM from using the funds deposited by a futures customer to margin or extend credit to any person other than the futures customer that deposited the funds.

³ 7 U.S.C. 6d(a)(2).

⁴ 7 U.S.C. 1 *et seq.*

Section 4d(f) of the Act, which was added by section 724(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires, subject to certain exceptions, each FCM to segregate from its own assets all money, securities and other property deposited by Cleared Swaps Customers to margin transactions in Cleared Swaps.

The Commission issued the Customer Protection Proposal because market events had illustrated both the need to: (i) require that care be taken about monitoring excess segregated and secured funds, and the conditions under and the extent to which such funds may be withdrawn; and (ii) place appropriate risk management controls around the other risks of the business to help relieve (A) the likelihood of an exigent event or, (B) if such an event occurs, the likelihood of a failure to prepare for such an event, which in either case could create pressures that might result in an inappropriate withdrawal of customer funds. Although the Commission stated that it believed that existing regulations provide an essential foundation to fostering a well-functioning marketplace, wherein customers are protected and institutional risks are minimized, it noted that recent events had demonstrated the need for additional measures to effectuate the fundamental purposes of the statutory provisions discussed above. Further, the Commission believed that, concurrently with the enhanced responsibilities for FCMs contained in the Customer Protection Proposal, the oversight and examination systems should be enhanced to mitigate risks and effectuate the statutory purposes.

II. Reopening and Extension of Comment Periods and Request for Comment

Subsequent to issuing the Customer Protection Proposal, the Commission has received a number of comments from interested parties requesting that the Commission extend the comment period for the proposal. Of particular note are the requests of the futures industry's self-regulatory organizations, which have requested an extension to the comment period to

provide additional time for all interested parties to evaluate the costs and benefits of the Customer Protection Proposal, and to propose alternative measures to provide increased customer protection and enhanced monitoring of FCMs.

In light of the comments received, the Commission is extending the comment period of the Customer Protection Proposal to provide the public with an additional opportunity to comment on the proposal's provisions. Given the emphasis of the comments received thus far on the potential costs of the Customer Protection Proposal, the Commission specifically seeks comments providing quantitative information addressing the costs and benefits of the proposed rulemaking.

All comments that were received after the close of the originally established comment period of the Customer Protection Proposal will be treated as if they were received during the extended comment period and need not be resubmitted.

Issued in Washington, DC, this 11th day of January 2013, by the Commission.

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